



# CALIFORNIA EMPLOYER

Fourth Quarter 1998

## Account information available to you more quickly with new system

Our new tax processing system, which was discussed in the fourth quarter 1997 *California Employer*, allows us to process your *Payroll Tax Deposit* (DE 88) coupons faster so they can be posted to your account more quickly. As a result, we can respond promptly to any questions that you may have about your account.

For 1999, your return envelopes will be mailed separately from your DE 88 coupon booklet and should arrive within a week of your booklet. You should receive your 1999 coupon booklet and envelopes between December 1998 and February 1999.

When you receive your 1999 coupon booklet, you may notice that the appearance of the coupons is different than the 1998 coupons. You may still use the 1998 coupons for 1999 tax payments, but please be sure to calculate the taxes due using your 1999 tax rates.

If you need a small supply of DE 88 return envelopes, please contact your local Employment Tax Customer Service Office. To order more than 25 envelopes, contact the Employment Development Department (EDD) Forms Warehouse at (916) 322-2835, or fax a *Requisition for EDD Forms* (DE 3274) to (916) 928-5910.

### Tips for Troublefree Reporting

To ensure that your deposit is processed accurately, before sending your payment and DE 88 coupon, please be sure to:

- Use the preprinted DE 88 coupons that were sent to you;
- Use the return envelopes that we provided to you;
- Always include your EDD employer account number;
- Remove any stubs, and/or vouchers from checks; and
- Send original documents, not copies.

## Employers help New Employee Registry succeed

California employers play an important role in the nationwide effort to locate individuals for the purposes of establishing, modifying, and enforcing child support obligations. The New Employee Registry (NER), which was expanded to include all employers on July 1, 1998, requires employers to report all new hires within 20 days of the employee's "start of work" date.

This new requirement, combined with the use of the *Report of New Employee(s)* (DE 34) form, permits faster processing of information, thus allowing quicker identification of parents who are

delinquent in their child support obligations. We encourage you to use the DE 34 form because it contains all the required information to cross-match with child support records to locate parents who are delinquent in their obligations.

Your continued cooperation will improve the success of this program and ensure that California children receive the financial support they deserve. For more information on the NER program, please contact your local Employer Tax Customer Service Office, or call our NER Hotline at (916) 657-0529.

## Annual interest rate set at 8 percent

The annual interest rate for the period January 1 through June 30, 1999, for delinquent taxes and contributions will be 8 percent (.08), compounded daily. The daily interest factor will be .000219.

If you have any questions regarding this rate, please contact your nearest Employment Tax Customer Service Office.

## Heard about the new electronic filing options?

If you have not investigated our new electronic options that can simplify your reporting, it is definitely worth your time to do so!

To hear about these exciting new options and their benefits, just call one of our customer service representatives at the numbers listed at right. We look forward to hearing from you!

- **Electronic Funds Transfer (EFT)**  
(916) 654-9130
- **Magnetic Media**  
(916) 654-6845
- **Electronic Data Interchange (EDI)**  
(916) 255-1649
- **Telefile**  
1-800-796-3524

### IN THIS ISSUE

- 2 ... Taxable value of meals & lodging
- 2 ... Reducing your UI tax rate
- 2 ... 1999 DE 2088 notices
- 3 ... Taxpayer Service Days
- 3 ... Employees claim exempt status?
- 3 ... UI Seminar for School Employers
- 3 ... Year-end checklist
- 4 ... Tips for annual reconciliation
- 4 ... New occupational and wage publications released

## Taxable value of meals and lodging are proposed for 1999

If you provide meals and/or lodging to your employees, they should be treated as wages for Unemployment Insurance, Employment Training Tax, and State



Disability Insurance purposes.

Meals are subject to California Personal Income Tax (PIT) with-

holding unless you furnish the meals to your employees for your convenience on your business premises. Lodging is subject to PIT withholding unless the employee is required to accept lodging on your business premises as a condition of employment.

Each year, the values of meals and lodging are adjusted based on the cost-of-living indexes. The EDD has proposed the following changes for the values of meals and lodging for 1999:

EMPLOYEES*		MARITIME EMPLOYEES	
<u>Meals</u>	<u>Value</u>	<u>Licensed Personnel</u>	<u>Value</u>
- Breakfast.....	\$ 1.65	- Meals.....	\$ 7.55
- Lunch.....	2.30	- Quarters.....	4.80
- Dinner.....	3.60	- Total per day.....	\$ 12.35
- 3 meals per day.....	\$ 7.55		
- A meal not identified as either breakfast, lunch, or dinner.....	\$ 2.65	<u>Unlicensed Personnel</u>	<u>Value</u>
		- Meals.....	\$ 7.55
		- Quarters.....	3.25
		- Total per day.....	\$ 10.80
<u>Lodging Value</u>		<u>Fishermen</u>	
- Value is set at 66-2/3 percent of the ordinary rental value to the public, but not in excess of \$705.00 per month or less than \$22.90 per week.		- Lodging value is \$22.90 per week and \$3.25 per day for periods of less than a week.	
<p>* Maritime employees' values of meals and lodging are different than all other employees and are shown in the above table on the right.</p> <p><i>Note: The above values do not apply where higher values of meals and lodging are stipulated in a union agreement or contract of hire, or are required for compliance with minimum wage laws. If you have any questions regarding the taxability of meals and lodging, please contact your nearest Employment Tax Customer Service Office.</i></p>			

## Eligible employers have option of reducing their 1999 UI tax rate

Eligible employers will have the option of paying an additional Unemployment Insurance (UI) contribution in order to obtain a lower UI tax rate for 1999. This option is only available when UI contribution rate schedules AA through D are in effect. Schedule C will be in effect for 1999.

A voluntary UI payment is not a prepayment, but an additional payment, and cannot be deducted on a future tax return. You are an eligible employer unless:

- You are an unrated employer with the required 3.4 percent UI tax rate;

- You have a negative UI reserve account balance;
- You already have the lowest possible UI rate; or
- You have an unpetitioned outstanding liability as of September 30, 1998, (delinquent in paying taxes).

If you are an eligible employer, you will receive a *Voluntary UI Contribution Notice* (DE 2088A). This notice shows up to three different amounts you may pay to lower your 1999 UI tax rate. A voluntary UI payment can reduce your UI rate. An *Explanation Sheet and Worksheet for the Voluntary UI*

*Contributions Notice* (DE 2088VU) will be included with the your DE 2088A so that you may calculate your projected savings to determine whether it is beneficial for you to make a *voluntary* UI payment.

Please note, however, that:

- Obtaining a lower rate may not reduce your annual UI costs because the voluntary UI payment may be greater than the savings you will realize from the lower UI rate.
- Once you make a voluntary UI payment, the reduced rate is in effect for all of 1999.
- Once you make a voluntary UI payment, it cannot be refunded.
- If you make a voluntary UI payment and you are not eligible to participate in the voluntary UI program, or if the payment is insufficient to reduce your UI tax rate to the next lowest rate, the payment may be applied to an existing liability with EDD, the State Board of Equalization, or the Franchise Tax Board.

## 1999 DE 2088 notices will be mailed in December

You will receive your *Notice of Contribution Rates and Statement of Unemployment Insurance (UI) Reserve Account for Calendar Year 1999* (DE 2088) by December 31, 1998. In addition to your reserve account activity for July 1, 1997, through June 30, 1998, the notice will show your 1999 UI tax rate.

The UI taxable wage limit for 1999 will remain at \$7,000 per employee, per year. The State Disability Insurance (SDI) tax rate for 1999 will be 0.5 percent

(.005) and the taxable SDI wage limit will remain at \$31,767 per employee, per year.

The notice also tells you whether you are subject to Employment Training Tax (ETT). The 1999 ETT rate will remain at 0.1 percent (.001). For more information on your rates, please call (916) 653-7795. This automatic call system is accessible 24 hours a day, 7 days a week. To expedite your call, please be sure to have your DE 2088 or your account number available.

The deadline to submit a voluntary UI payment is March 31, 1999. If you have questions about voluntary UI payments, please contact your local Employment Tax Customer Service Office.

## More Taxpayer Service Days are offered for small business

In partnership with local, state and federal agencies, EDD is again cosponsoring Taxpayer Service Days in various cities to give you the opportunity to access many governmental agencies in one location. These events offer workshops and counseling to help you avoid common pitfalls and costly mistakes.

The EDD workshops will include topics such as reporting requirements, employee or independent contractor relationships, and will provide you with an opportunity to talk to our Taxpayer Rights Advocate staff. Knowledgeable staff will be on hand to answer your questions and provide publications.

There is no cost to participate, but we recommend that you make reservations if you plan to attend a workshop. For more information or to make reservations, please contact the number listed at the right for each event.

### TAXPAYER SERVICE DAYS

#### STOCKTON

University of the Pacific  
March 18, 9 a.m. - 3 p.m.

Call: (209) 932-2338  
Fax: (209) 941-1984

#### SAN BERNARDINO

Calif. State Univ., San Bernardino  
March 23, 8:30 a.m. - 4 p.m.

Call: (909) 680-6705  
Fax: (909) 680-6712

#### CHICO

Calif. State University, Chico  
March 24, 9 a.m. - 3 p.m.

Call: (916) 227-1882  
Fax: (916) 227-1883

#### SACRAMENTO

American River College  
March 27, 9 a.m. - 3 p.m.

Call: (916) 227-1882  
Fax: (916) 227-1883

#### BAKERSFIELD

Bakersfield College  
March 31, 9 a.m. - 3 p.m.

Call: (805) 334-3929  
Fax: (805) 395-2588

#### FRESNO

Calif. State University, Fresno  
April 1, 9 a.m. - 3 p.m.

Call: (209) 248-4209  
Fax: (209) 221-5234

### Do your employees claim Exempt Status?

The federal *Employee's Withholding Allowance Certificate* (W-4) you receive from your employees also can be used to calculate the amount to withhold for California Personal Income Tax (PIT). Your employees have the option of completing a state *Employee Withholding Allowance Certificate* (DE 4) if they want to claim a different marital status and/or a different number of allowances than claimed on their W-4 for federal income tax withholding purposes.

The W-4/DE 4 forms that you receive from your employees claiming exemption from California PIT withholding expire on February 15 each year. Employees must renew their W-4/DE 4 forms by February 15 if they wish to continue to remain exempt from PIT withholding. If an employee does not sign a new W-4/DE 4, you are required to change the employee's withholding status to single with zero (0) withholding allowances and begin withholding California PIT. For more information, please contact the Franchise Tax Board at 1-800-852-5711.

## UI Seminar for School Employers in Monterey

The annual Unemployment Insurance (UI) Technical Seminar for School Employers is scheduled for February 25-26, 1999, at the Doubletree Hotel in Monterey.

This year's seminar includes presentations on managing UI claims, employee separations, and employment taxes, as well as mock hearings with an Administrative Law Judge that cover employee

discharge and reasonable assurance. This seminar is sponsored by the School Employers Advisory Committee in cooperation with EDD.

If you are a school employer but have not received your registration material by mid-December, please contact: EDD, School Employees Fund, P.O. Box 826880, MIC 13, Sacramento, CA 94280-0001; (916) 653-5380.

## Year-end Checklist for Employers:

FORM NUMBER	FORM TITLE	DUE or RECEIVED BY*	MAILED or RECEIVED <input checked="" type="checkbox"/>
DE 6	<i>Quarterly Wage and Withholding Report</i> - 1998 Fourth Quarter	Delinquent if not filed by January 31, 1999.	_____
DE 7	<i>Annual Reconciliation Statement</i>	Delinquent if not filed by January 31, 1999.	_____
W-2 1099-R	<i>Wage and Tax Statement</i> <i>Distributions from Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance, Contracts, etc.</i>	To employee(s) by January 31, 1999. (Note: Please <u>do not</u> send the State copy of the W-2 to EDD or FTB.)	_____
DE 44	<i>1999 California Employer's Guide</i>	Mailed to employers in December 1998.	_____

\* If any date shown falls on a Saturday, Sunday, or legal holiday, use the next regular workday.

## Tips for correct annual reconciliation

You can help avoid an unnecessary EDD tax audit by comparing the wage and tax figures reported on your tax forms and verifying that they agree with the amounts on your employees' earnings/payroll records.

The Franchise Tax Board (FTB) compares the amounts reported on the *Wage and Tax Statements* (W-2) that your employees file with their income tax returns against those from EDD's wage record system. If a discrepancy exists between the amounts reported on your employees' W-2 forms and the amounts reported on your *Quarterly Wage and Withholding Reports* (DE 6), the FTB refers the case to EDD for resolution. This may prompt an audit to resolve the differences. You should use the informa-

tion on the table below to reconcile your annual Total Subject Wages, UI Taxable Wages, PIT Wages, and PIT Withheld before submitting your fourth quarter DE 6, *Annual Reconciliation Statement* (DE 7), *IRS Employer's Annual Federal Unemployment (FUTA) Tax Return* (Form 940/940EZ), and providing the W-2 forms to your employees.

These tips should help you avoid costly mistakes. For more information or to request a DE 678 form, please contact your local Employment Tax Customer Service Office (ETCSO). For information on Total Subject Wages and PIT Wages, contact your local ETCSO and request the information sheet, *PIT Wages Reported on the Quarterly Wage and Withholding Report* (DE 231PIT).

ANNUAL RECONCILIATION	ALL ITEMS WITHIN EACH BOX SHOULD AGREE:*
Total Subject Wages	<ul style="list-style-type: none"> <li>Earnings/payroll records</li> <li>DE 6s (Item M) - all 4 quarters</li> <li>DE 7 (Item C)</li> </ul>
UI Taxable Wages ( <i>Note: DE 7 "UI Subject Wages" may be different than Form 940/940EZ "Total Taxable Wages" if you have exempt employees.</i> )	<ul style="list-style-type: none"> <li>DE 7 (Item D2)</li> <li>IRS Form 940/940EZ (Line 5)</li> </ul>
PIT Wages ( <i>Note: The DE 6 "PIT Wages" may be different than those on the W-2, Box 17.</i> )	<ul style="list-style-type: none"> <li>Earnings/payroll records</li> <li>DE 6s (Item N) - all 4 quarters</li> <li>W-2s (Box 17)</li> </ul>
PIT Withheld	<ul style="list-style-type: none"> <li>DE 6s (Item O) - all 4 quarters</li> <li>DE 7 (Item G)</li> <li>W-2s (Box 18) plus 1099Rs (Box 10)</li> </ul>

\* If amounts do not agree, find the error and correct all forms with incorrect amounts. If an error was made on a previously filed DE 6, complete a *Tax and Wage Adjustments Form* (DE 678) to correct the quarter with the error.

Employment Tax Information		Telefile	1-800-796-3524
General Information or Requests for Tax Forms (25 copies or less)	Call the nearest Employment Tax Customer Service Office	Electronic Data Interchange	(916) 255-1649
Forms Requests (more than 25 copies)	(916) 322-2835 Fax: (916) 928-5910	Tax Rates & Benefit Charge Information	(916) 653-7795
Register for an EDD Employer Account #	(916) 654-7041 Fax: (916) 654-9211	New Employee Registry	(916) 657-0529 Fax: (916) 653-5214
Electronic Funds Transfer	(916) 654-9130 Fax: (916) 654-7441	Offers in Compromise	(916) 464-2726 Fax: (916) 464-2121
Magnetic Media Reporting	(916) 654-6845 Fax: (916) 654-7441	Underground Economy Oper. Ctr.	(916) 464-1075, Ext. 299 Fax: (916) 464-1020
Alternate Forms Coordinator	(916) 255-0649 Fax: (916) 255-0629	Office of the Taxpayer Rights Advocate	(916) 654-8957 Fax: (916) 654-6969
		EDD's Website:	www.edd.cahwnet.gov

## New occupational/wage publications released

Two new EDD products have been published with California employers in mind:

The *1998 California Occupational Guide Wage Supplement* includes the most recent 1997 occupational wage data available, as well as wages paid by California employers in the prior 2 years. This product reports low, high, and median wage levels for union and nonunion employees. Wages are reported at the county level or by county groupings. The price of this valuable product is just \$21 (includes taxes, shipping and handling).

The *California Occupational Summaries 1995-1997* contain summaries for hundreds of occupations. Each individual summary reports the job title and description; union and nonunion wages; fringe benefits; gender; supply and demand; employment trends, and more. Custom reports can be created for specific regions (cost varies). *Occupational Summaries for California* cost \$50; regional summaries for Los Angeles County, central coast, central valley, southern, and northern counties cost \$35 per region (includes taxes, shipping and handling). To reserve your copy, call Brenda Veronie at (916) 262-2217.

### California Employer

This newsletter is published quarterly by California's Employment Development Department of the State Health and Welfare Agency, and is distributed with tax forms to all employers who are subject to the provisions of the California Unemployment Insurance Code.

The EDD is a recipient of federal and state funds, is an equal opportunity employer/program, and is in compliance with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. Special requests for alternate formats need to be made by calling (916) 654-7079.

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Produced by the EDD Office of Marketing and Constituent Services, MIC 84  
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Fourth Quarter 1998

Vol. 51, No. 4